

PHILADELPHIA MULTIFAMILY HOUSING HUB NEWS



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Inside this Issue:

| |
|---------------------------------------|
| Tax Credit Fees.....Pg. 1 |
| Sunset of M2M Tools.....Pg. 1 |
| Income Limits.....Pg. 2 |
| Pet Therapy.....Pg. 2 |
| Electricity Costs.....Pg. 2 |
| Security Check-Up.....Pg. 3 |
| Resident Stipends.....Pg. 3 |
| APPS Takes Effect.....Pg. 3 |
| Physical inspection Library.....Pg. 3 |
| Safer Cities Initiative.....Pg. 3 |
| Dependent Income Tip.....Pg. 4 |
| TRACS Compliance.....Pg. 4 |
| Section 8 Renewal Guide.....Pg. 4 |
| Myths & Affordable Housing.....Pg. 4 |
| Foreclosure Sale.....Pg. 4 |
| Closings.....Pg. 4 |



Tax Credit Compliance Fees

HUD has made a determination that the payment of annual compliance fees in tax credit projects is not a valid project operating expense. It has been concluded that compliance fees are costs associated with the raising of equity (i.e., entity costs), and the preservation of the tax credit.

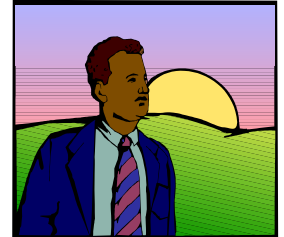


The payment of such fees from project funds is not permitted under Paragraph 6(b) of the Regulatory Agreement and HB 4566.2, Section 3-9, because they are not considered "*expenses reasonable and necessary to the operation of the project.*"

The Annual Compliance Fee is for the purpose of validating compliance with the Low Income Tax Credit requirement so the holders of the tax credits can claim the credit on their tax returns. The compliance fee benefits the owners- not the project. Many states have had to increase their monitoring fees in order to cover the cost of additional unit inspections. A survey, conducted by Affordable Housing Finance magazine found that 43% have increased fees. The increases have been \$2 to \$30 per unit, with the average increase being \$13.33 per unit. Ten percent of the states have converted to a project compliance monitoring fee for the entire 15-year compliance period, ranging from \$200 to \$375 per unit.

Sunset of M2M Restructurings

Effective September 30, 2006, HUD will no longer be able to provide full debt restructurings under Mark-to-Market (M2M).



In 2001, Congress passed legislation providing major new incentives to owners who restructure the financing of their Section 8 projects to market rental rates. A restructured project will generally have a substantially reduced first mortgage, additional funds for rehabilitation and replacement reserves and an opportunity for the owner to share in his project's cash flow.

Over the past 8 years, the Office of Affordable Housing Preservation (OHAP) has closed mortgage restructurings on over 1,400 properties. This has preserved 115,000 units of affordable housing.

Owners of projects that were completed as "Lites" or "Watch List" transactions have a limited opportunity to re-enter M2M to restructure their project debt. Because restructured projects are underwritten with surplus cash in reasonable amounts after closing, projects can better withstand spikes in insurance, utilities and construction costs. In effect, HUD will absorb 75% of future expense increases because of the second mortgage's cash flow split.

Eligible owners are strongly encouraged to contact OHAP. After the September 30, 2006 deadline, HUD projects with contract rents above the rents in their markets will face a legal requirement to lower those rents without getting a chance to restructure their mortgages.

Median Family Income Limits

On March 8, 2006, HUD released the estimated median family income and income limits for Fiscal Year (FY) 2006. The estimates are based on new OMB Metropolitan Statistical Areas (MSAs) and cover 523 metropolitan areas and 2,045 non-metropolitan areas in the U.S. and its territories.



The FY 2006 HUD median family income estimates are derived from 2000 Census data updated with county-level earnings data, Census American Community Survey state-level data, and Census Current Population Survey data. Separate median family income estimates are calculated for all MSAs and non-metropolitan counties.

HUD's median income estimates are of interest to housing and community development professionals because they are used as the basis for income limits for several HUD programs (including the Public Housing, Housing Choice Voucher, CDBG and HOME programs), and in programs run by the Department of Agriculture, the Department of Treasury, the Federal Deposit Insurance Corporation, the Federal Housing Finance Board and Government Sponsored Enterprises.

The FY 2006 HUD income estimates and income limits are available as a free download from HUD USER at: <http://www.huduser.org/datasets/il/il06/index.html>.

Pet Therapy

Studies have shown that pets, such as dogs, cats, birds, and rabbits, have therapeutic value in nursing homes. Several nursing homes in southern New Jersey (e.g., The Evergreens and Masonic Home of New Jersey) have seen, first-hand, the beneficial effect that pets can have on the aged.



In the January 30, 2006 issue of the Courier-Post ("Senior Scoop" insert) several experts in the field were quoted. Jayma Calgiano, Director of Social Services at The Evergreens has stated that "Pet therapy encourages long term care residents to reminisce about their

past and talk about how animals make them feel. These discussions lead to improvements in mood and decreased depression. In addition, remembering past events helps improve the cognitive deficits of residents, especially Alzheimer's patients. Pet-assisted therapy also encourages residents to become more alert as they use their senses to interact with these animals. Residents generally become more aware of their environment as they pet the animals and play with them." Calgiano also noted that people with cognitive deficit difficulties are often stimulated by interacting with animals, particularly if they have had pets in their lives.

Peter Arkow, an author who teaches two courses on Animal-Assisted Therapy and Activities at Camden County College, also supports this conclusion. He states that "there has been a tremendous number of studies that consistently show that animals often have therapeutic benefits, both physiologically and psychologically for the elderly. The act of petting a visiting animal often reduces blood pressure in not only the person but also the pet. Pets help make the nursing home environment less sterile and more home-like. Animals are catalysts for communication and often bring withdrawn or alienated residents out of their shells and into the mainstream of activities. I've personally seen many cases of residents who have not spoken in years suddenly start talking when an animal comes to visit."

The Camden County Health Services Center also employs pet therapy. Mary Ann Simpson, Activities Director, states that "we've had a pet therapy program here for 20 years...it gives the center a home-like atmosphere. It increases the residents' quality of life and brings back some past experiences. The residents are excited when they see the animals. You can see the love when people are petting and holding the animals. Most of the animals are pets family members bring in."

Calgiano hopes to expand the therapy at The Evergreens by having animals live in the nursing center and be cared for by the residents. "Providing that care can give residents a real sense of purpose that many people may lack when they are dependent on others for their care."

Electricity Costs Up

A survey conducted by NUS Consulting Group found that the national average price of electricity rose by 10.9% during the period April 2005-April 2006, from 7.95 cents/kWh to 8.82 cents/kWh. The study also found that customers in NJ paid some of the highest prices.

Security Check-Up (Part II)

Last month's issue of Philadelphia Multifamily Hub News, contained property survey questions, developed by David Sawyer of Safer Places, Inc., that every project manager should ask to insure an adequate level of security at his project. In this issue, we will cover building interiors, laundry rooms, and master keys:



- *Are window and wall air conditioners properly secured?
- *Are intercom systems working?
- *Are doors and locks working?
- *Are lobby, stairwell, and hallway lighting fixtures working?
- *Are exterior building doors blocked open to allow for unauthorized access?
- *Are fire extinguishers re-charged and in proper locations?
- *Are lobby windows locked and fit securely?
- *Do door viewers provide a clear/sufficient view of the hall?
- *Do sliding glass doors lock properly?
- *Is elevator lighting operating 24 hrs. per day?
- *Are locks to storage rooms secure?
- *Do smoke and carbon monoxide detectors work properly?
- *Do security doors close properly?
- *Do security cameras work properly?
- *Are laundry room doors locked to provide access only to residents?
- *Do laundry room doors and windows allow easy see-through?
- *Do you exercise tight control over the distribution of master keys?
- *Are key cabinets locked?

Resident Service Stipends

Residents are sometimes employed in subsidized projects for such services as hall monitoring, fire patrol, lawn maintenance and resident management.



Although resident services stipends are generally modest, if the compensation exceeds \$200 per month, owners/managers must include the entire amount when recertifying

the resident's annual income. However, if the stipend is \$200 or less per month, the entire amount is excluded in calculating annual income.

APPS Takes Effect

Effective July 1, 2006, all participants required to apply for previous participation clearance must do so through the Active Partner Performance System (APPS).

See our April 24, 2006 newsletter supplement or click on: www.hud.gov/offices/hsg/mfh/apps/appsmfhm.cfm for more information.

Physical Inspection Library

REAC has a physical inspection library on line that provides Federal Registers, Handbooks, Notices, Regulations, etc. regarding HUD's physical inspection procedures.



In addition, the site also contains a Public Scheduler which provides the general public with a tool to view physical inspection scheduling details.

The website is as follows: www.hud.gov/offices/reac/library/lib_phyi.cfm.

Safer Cities Initiative



The City of Camden, NJ, in an attempt to end violence in the city, implemented the Safer Cities Initiative one year ago.

The goal of the initiative is to rehabilitate repeat "at risk" criminal offenders, in the 18-30 age group. Male participants, with a history of violent offenses, are referred by their probation or parole officers. Program participants have access to services such as job readiness, education, housing, clothing and mental health counseling.

This promising initiative is one component of Safer Cities- a program formed by the NJ Attorney General's Office and the Walter Rand Institute for Public Affairs at Rutgers-Camden.

For more information, contact Robin Perkins at: (856) 225-6006 or Angel Osorio at (856) 225-8663.

Dependent Income Tip

A dependent is a family member who is under 18 years of age, is disabled, or is a full-time student. The head of the family, spouse, co-head, foster child, or live-in aide are never dependents. Some income received on behalf of family dependents is counted and some is not.



-Earned income of minors (family members under 18) **is not** counted.

-Benefits or other unearned income of minors **is** counted.

For additional information about calculating income of dependents, please refer to Chapter 5, paragraph 5-6. A.3 of HUD Handbook 4350.3 REV1, Occupancy Requirements of Subsidized Multifamily Housing Programs at www.hudclips.org/sub_nonhud/cgi/hudclips.cgi#handnot.

TRACS Compliance



On February 14, 2006, a TRACS announcement was posted regarding the TRACS Tenant Compliance Percentage Standard Increase. Currently the TRACS compliance percentage is at

85%; however this compliance percentage has been raised to 90%, on April 1, 2006. The new increase affects any HAP voucher submitted on or after April 1, 2006. Any questions regarding the new 90% standard should be directed to the Multifamily Help Desk at 1-800-767-7588.

To view the TRACS announcements, please visit <http://www.hud.gov/offices/hsg/mfh/trx/announcements.pdf>.

Section 8 Policy Renewal Guide Changes

Chapters 2, 3, 4, 6, & 7 of the Section 8 Renewal Policy Guide Book have been revised to reflect renewal changes regarding preservation projects.

You can view the changes (highlighted in grey shading) at the following site: www.hud.gov/offices/hsg/mfh/mfhsec8.cfm.

Myths about Affordable Housing

Local opposition and regulatory restrictions to developing affordable multifamily housing often result from misunderstandings, or myths, about the nature of such housing. A paper created by planners from California identifies eight such myths and seeks to dispel them with research and case studies. Some of the misconceptions addressed in this publication include:



- * High-density and affordable housing invariably causes too much traffic.
- * High-density development strains public services and Infrastructure.
- * Affordable housing reduces property values.
- * High-density and affordable housing increases crime.

While this research was undertaken several years ago, most, if not all, of these myths continue to cause opposition to higher-density development. If myths can be eliminated, then regulatory barriers may begin to dissolve.

If you would like to know more, an abstract as well as the original article can be found at: www.huduser.org/rbc/search/rbcdetails.asp?DocId=1286.

Foreclosure Sale

A foreclosure sale of Daniel Scott Commons, a 72-unit project, located in Chester, PA will take place on July 21, 2006. There is an unstated minimum bid and requirements for an earnest money deposit of \$100,000 and a \$344,200 Letter of Credit. For more details see: www.hud.gov/offices/hsg/mfh/pd/multifam.cfm.

Closings

The following closings occurred during May: *Insured-PA*: Pennshaw, Berg Manor, Port Vue, Shady Park and Village Garden I; *Section 202/811 Initials-PA*: The Upper Rooms and Mantua Supported; *NJ*: Union County and Advance Supported Housing; and *Section 202/811 Finals-PA*: Eastlake Woods, Popular Place, Simpson Mid-Town and Greenway Presbyterian; *NJ*: Kearny Senior and Mt. Ephraim Senior and Delran. CH.